

Dear CAF 7 Students,

These notes are a summarized version of STUDY TEXT by ICAP.

These notes are mainly for revision purposes.

Do not wholly and solely depend on them.

It has a coverage of tax year 2015 - 2016.

Good luck for your exams.

Regards,

Sanam Alam

Definition:: Income includesi

- ☐ Any amount chargeable to tax under the Income Tax Ordinance,2001
- ☐ Any amount treated as income under any provision of the Ordinance, and
- ☐ Any loss of income

Definition:: Person

- ☐ an individual;
- ☐ a company or association of persons incorporated, formed, organised or established in Pakistan or elsewhere;
- ☐ The Federal Government, a foreign government, a political subdivision of a foreign government, or public international organisation.

Definition:: Association of Persons

“Association of persons” includes a firm, a Hindu undivided family, any artificial juridical person and anybody of persons formed under a foreign law, but does not include a company;

“Firm” means the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.

Definition:: Company

“Company” means:

- ☐ a company as defined in the Companies Ordinance, 1984
- ☐ a small company
- ☐ a body corporate formed by or under any law in force in Pakistan;
- ☐ a modaraba;
- ☐ a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;
- ☐ a foreign association, declared to be a company for the purposes of this Ordinance;
- ☐ a Provincial Government; or
- ☐ a local Government in Pakistan; or
- ☐ a co-operative society, a Finance society or any other society
- ☐ a non-profit organisation
- ☐ a trust
- ☐ an equity or a body of persons established or constituted by or under any law for the time being in force

“Local Government” shall have the same meaning as in the

- Punjab Local Government Ordinance,2001,
- the Sindh Local Government Ordinance,2001,
- the NWFP Local Government Ordinance,2001 and
- the Balochistan Local Government Ordinance,2001.

“trust” means an obligation annexed to the ownership of property and arising out of the confidence reposed in and accepted by the owner, or declared and accepted by the owner for the benefit of another, or of another and the owner, and includes a unit trust;

Sec 2(47) “Public company” means —

- (a) a company in which not less than fifty per cent of the shares are held by the Government;
- (b) a company in which not less than fifty per cent of the shares are held by a foreign Government
- (c) a company whose shares were traded on a registered stock exchange in Pakistan and which remained listed on that exchange at the end of that year; or
- (d) a unit trust whose units are widely available to the public

“Unit trust” means any trust under which beneficial interests are divided into units such that the entitlements of the beneficiaries to income or capital are determined by the number of units held.

Sec 2(45) “Private company” means a company that is not a public company

Sec 2(7) “Banking company” means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and includes anybody corporate which transacts the business of banking in Pakistan;

Sec 2(14) “Cooperative society” means a co-operative society registered under the Co-operative Societies Act, 1925 (VII of 1925) or under any other law for the time being in force in Pakistan for the registration of co-operative societies;

Sec 2(25) “Finance society” includes a co-operative society which accepts money on deposit or otherwise for the purposes of advancing loans or making investments in the ordinary course of business;

Sec 2(36) “Non-profit organization” means any person other than an individual which is

- (i) established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport;
 - (ii) formed and registered under any law as a non- profit organization;
 - (iii) approved by the Commissioner for specified period, on an application made by such person in the prescribed form and manner, accompanied by the prescribed documents and, on requisition, such other documents as may be required by the Commissioner;
- Assets of such organization are not available for private benefit to any other person.

Sec 2(59A) “Small Company” means a company registered on or after the first day of July, 2005, under the Companies Ordinance, 1984 which,-

- (i) has paid up capital plus undistributed reserves not exceeding twenty-five million rupees;
- (ii) has employees not exceeding two hundred and fifty any time during the year;

- (iii) has annual turnover not exceeding two hundred and fifty million rupees; and
- (iv) is not formed by the splitting up or the reconstitution of a company already in existence;

Tax payer:

Taxpayer means any person who

- ☐ derives an amount chargeable to tax
- ☐ may be a representative of a person who derives an amount chargeable to tax
- ☐ is required to deduct or collect tax
- ☐ is required to furnish a return of income or pay tax

Resident individual ¶

- ☐ An individual shall be a resident individual for a tax year if the individual:
- a) is present in Pakistan for a period of one hundred and eighty-three days or more in the tax year; or
 - b) is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year.

S83. Resident company

A company shall be a resident company in Pakistan for a tax year if:

- i. it is incorporated or formed by or under any law in force in Pakistan
- ii. the control and management of its affairs is situated wholly in Pakistan at any time in the year; or
- iii. It's a Provincial government or local Government in Pakistan.

S84. Resident association of persons

if the control and management of the affairs of the association is situated wholly or partly in Pakistan at any time in the year.

Definition: Dividend

“Dividend” includes —

- ☐ Any distribution by a company to its shareholders out of accumulated profit. Dividend may be in the form of:
- (i) assets of company including money or
 - (ii) debentures or deposit certificates
 - (iii) liquidation of company
 - (iv) reduction of capital by the company

- (v) Loan or advance given by a private company
 - (vi) Amount expended by a private company on behalf of or for benefit of shareholder.
 - (vii) Any after tax profit of a branch of foreign company operating in Pakistan.
- ☐ All distributions must be up to the extent of accumulated profits possessed by the company at date of distribution.
- ☐ Following payments are not dividends;
- (i) Loan or advance by a private company involved in lending business.
 - (ii) Subsequent dividend if the payment is set off against the loan already treated as dividend.
 - (iii) Remittance of after tax profit by a branch of Petroleum Exploration and Production (E&P) foreign company, operating in Pakistan.
- Where any advance or loan is repaid by the shareholder of a private company, he shall be entitled to a refund of the tax paid by him as a result of such loan or advance having been treated as dividend

Definition:: Sec 2(54) Royalty

Means consideration paid or payable, whether lump sum or periodically, for

- (i) the use of, or right to use any patent, invention, design or model, secret formula or process, trade mark or other like property or right.
- (ii) the use of, or right to use any copyright of a literary, artistic or scientific work, including films or video tapes for use in connection with television or tapes in connection with radio broadcasting, other than sale, distribution or exhibition of cinematograph films.
- (iii) the receipt of, or right to receive, any visual images or sounds, or both, transmitted by satellite, cable, optic fiber or similar technology in connection with television, radio or internet broadcasting
- (iv) the supply of any technical, industrial, commercial or scientific knowledge, experience or skill;
- (v) the use of or right to use any industrial, commercial or scientific equipment
- (vi) the supply of any assistance that is ancillary and subsidiary to and is furnished as a means of enabling the application or enjoyment of, any such property or right as mentioned above. and
- (vii) the disposal of any property or right referred above

Definition:: Fee for technical services

Any consideration, whether periodical or lump sum, for the rendering of any managerial, technical or consultancy services including the services of technical or other personnel, but does not include:

- (i) Consideration for services rendered in relation to a construction, assembly, or like project undertaken by the recipient; or
- (ii) Consideration which would be the income of the recipient chargeable under the head salary

Definition and scope of salary

- ☐ Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, and includes:
- (i). any pay, wages or other remuneration including leave pay, overtime, bonus, commission, fees, gratuity, work condition supplements (such as for the un pleasant or

dangerous working conditions):

- (ii). any perquisite whether convertible into money or not;
- (iii). any allowance provided to employee including cost of living, rent, utilities, education, entertainment, traveling etc. excluding allowance solely expended in the performance of duties of employment;
- (iv). any personal expenditure reimbursed by employer other than expenditure incurred solely in the performance of duties of employment
- (v). Profits in lieu of , or in addition to, salary including:
 - a) consideration received for entering into an employment agreement or for agreement to any condition of employment or changes to the employment conditions or to a restrictive covenant to any past, present or future employment.
 - b) amount received on the termination of employment, including golden handshake payments.
 - c) amount received from provident fund except for a contribution made by the employee in respect of which the employee was not entitled to a deduction.
- (vi). any pension or annuity or any supplement to a pension or annuity received / receivable from employer;
- (vii). any amount of gain earned under “Employee Share Scheme”;
- (viii). amount of tax chargeable on employee’s salary and borne by employer.

Definition:: Employee

□□“Employee” means any□individual engaged in employment.

Definition:: Employer

□□“Employer” means any person who engages and remunerates an employee

Definition:: Employment

Employment includes:

- a directorship or any other office involved in the management of a company;
- a position entitling the holder to a fixed or ascertainable remuneration; or
- the holding or acting in any public office;

Definition: Rent

“Rent” means any amount received or receivable by the owner of land or a building as consideration for the use or occupation of, or the right to use or occupy, the land or building, and includes any forfeited deposit paid under a contract for the sale of land or a building.

Definitions “Business” [Sec 2(9)]

includes any trade, commerce, manufacture, profession, vocation or adventure or concern in the nature of trade, commerce, manufacture, profession or vocation, but does not include

employment;

Speculation business:

- Speculation business” means any business in which a contract for the purchase and sale of any commodity (including stocks and shares) is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity, but does not include a business in which:
 - a contract in respect of:
 - raw materials or merchandise for the purpose of fulfilling the person’s other contracts for the actual delivery of the goods to be manufactured or merchandise to be sold;
 - a contract in respect of stocks and shares
 - a contract is entered into by a member of a forward market or stock exchange

to guard against any loss which may arise in the ordinary course of the person’s business because of fluctuation

- **“Scientific research”** means any activity undertaken in Pakistan in the fields of natural or applied science for the development of human knowledge;
- **“Scientific research expenditure”** means any expenditure incurred by a person on scientific research undertaken in Pakistan for the purposes of developing the person’s business, including any contribution to a scientific research institution to undertake scientific research for the purposes of the person’s business, other than expenditure incurred:

in the acquisition of any depreciable asset or intangible; in the acquisition of immovable property; or

for the purpose of ascertaining the existence, location, extent or quality of a natural deposit; and

“Scientific research institution” means any institution certified by the Board as conducting scientific research in Pakistan.

Definitions

- **“Absorption-cost method”** means the generally accepted accounting principle under which the cost of an item of stock-in-trade is the sum of direct material costs, direct labour costs, and factory overhead costs;
- **Prime-cost method”** means the generally accepted accounting principle under which the cost of stock-in-trade is the sum of direct material costs, direct labour costs, and variable factory overhead costs;
- **“Direct labour costs”** means labour costs directly related to the manufacture or production of stock-in-trade;
- **“Direct material costs”** means the cost of materials that become an integral part of the stock-in-trade manufactured or produced, or which are consumed in the manufacturing or production process;
- **“Factory overhead costs”** means the total costs of manufacturing or

producing stock-in-trade, other than direct labour and direct material costs;

- **“First-in-first-out method”** means the generally accepted accounting principle under which the valuation of stock-in-trade is based on the assumption that stock is sold in the order of its acquisition;
- **“Average-cost method”** means the generally accepted accounting principle under which the valuation of stock-in-trade is based on a weighted average cost of units on hand;
- **“Stock-in-trade”** means anything produced, manufactured, purchased, or otherwise acquired for manufacture, sale or exchange, and any materials or supplies to be consumed in the production or manufacturing process, but does not include stocks or shares; and
- **“Variable factory overhead costs”** means those factory overhead costs which vary directly with changes in volume of stock-in-trade manufactured or produced.
- Definition of terms used:
 - “long-term contract”** means a contract for manufacture, installation, or construction, or in their relation, the performance of related services, which is not completed within the tax year in which work under the contract commenced. However, long term contracts shall not include a contract estimated to be completed within six months of the date on which work under the contract commenced.

“percentage of completion method” means the generally accepted accounting principle under which revenues and expenses arising under a long-term contract are recognized with reference to the stage of completion of the contract

Definition: Depreciable Asset

“Depreciable asset” means any tangible movable property, immovable property (other than unimproved land), or structural improvement to immovable property, owned by a person that:

- has a normal useful life exceeding one year;
- is likely to lose value as a result of normal wear and tear, or obsolescence; and
- is used wholly or partly by the person in deriving income from business chargeable to tax,

but shall not include any tangible movable property, immovable property, or structural improvement to immovable property in relation to which a deduction has been allowed under another section of this Ordinance for the entire cost of the property or improvement in the tax year in which the property is acquired or improvement made by the person; and

“Structural improvement” in relation to immovable property, includes any building, road, driveway, car park, railway line, pipeline, bridge, tunnel, airport runway, canal, dock, wharf, retaining wall, fence, power lines, water or sewerage pipes, drainage, landscaping or dam.

Definition: Eligible Depreciable Asset

“Eligible depreciable asset” means a depreciable asset other than:

- a. any road transport vehicle unless the vehicle is plying for hire;
- b. any furniture, including fittings;
- c. any plant or machinery that has been used previously in Pakistan; or
- d. any plant or machinery in relation to which a deduction has been allowed under another section of the Ordinance for the entire cost of the asset in the tax year in which the asset is acquired.

Definition: Industrial Undertaking

“Industrial undertaking” means —

- a) an undertaking which is set up in Pakistan and which employs,—
 - i. ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or
 - ii. twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy;

and which is engaged in,—

- i. the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or
- ii. ship-building; or
- iii. generation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power; or
- iv. the working of any mine, oil-well or any other source of mineral deposits; and

any other industrial undertaking which the Board may by notification in the official gazette, specify

Definition: Intangibles (Section 24)

“Intangible” means any patent, invention, design or model, secret formula or process, copyright, trade mark, scientific or technical knowledge, computer software, motion picture film, export quotas, franchise, licence, intellectual property, or other like property or right, contractual rights and any expenditure that provides an advantage or benefit for a period of more than one year (other than expenditure incurred to acquire a depreciable asset or unimproved land).

Definition: Cost of Intangible Asset

“cost” in relation to an intangible, means any expenditure incurred in acquiring or creating the intangible, including any expenditure incurred in improving or renewing the intangible

Definition: Pre Commencement Expenditure

“**pre-commencement expenditure**” means any expenditure incurred before the commencement of a business wholly and exclusively to derive income chargeable to tax,

including the cost of feasibility studies, construction of prototypes, and trial production activities, but shall not include any expenditure which is incurred in acquiring land, or which is depreciated or amortised

Definition: Capital Asset

Capital asset means property of every kind held by a person, whether or not connected with a business, but does not include:

- any stock-in-trade, consumable stores or raw materials held for the purpose of business;
- any property with respect to which the person is entitled to a depreciation or amortization
- any movable property held for personal use by the person or any member of person's family dependent on the person excluding capital assets mentioned under section 38(5)) i.e. painting, sculpture, drawing or other work of art, jewellery, rare manuscript, folio, book, postage stamp, first day cover, coin, medallion or an antique.

Security

- Security means share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital and derivative products.

Derivative Products

"Derivative products" means a financial product which derives its value from the underlying security or other asset, may be traded on stock exchange of Pakistan and includes deliverable future contracts, cash settled future contracts, contracts of rights and options.

Definition: Dividend

Section 2(19) "Dividend" includes —

- (a) any distribution by a company of accumulated profits to its shareholders.
- (b) any distribution by a company, to its shareholders of debentures, debenture-stock or deposit certificate;
- (c) any distribution made to the shareholders of a company on its liquidation
- (d) any distribution by a company to its shareholders on the reduction of its capital.
- (e) any payment by a private or trust of any sum by way of advance or loan to a shareholder or on behalf, or for the individual benefit; but does not include —
 - i. a distribution of any share for full cash consideration, or redemption of debentures or debenture stock, where the holder of the share or debenture is not entitled in the event of liquidation to participate in the surplus assets;
 - ii. any advance or loan made to a shareholder by a company in the ordinary course of its business
 - iii. any dividend paid by a company which is a set off
 - iv. Remittance of after tax profit by a branch of Petroleum Exploration and

- Production (E&P) foreign company, operating in Pakistan.
- (f) remittance of after tax profit of a branch of a foreign company operating in Pakistan;

Definition: Profit on debt

- ☐ any profit, yield, interest, discount, premium or other amount, owing under a debt, other than a return of capital; or
- ☐ any service fee or other charge in respect of a debt, including any fee or charge incurred in respect of a credit facility which has not been utilized;

“Association of persons” includes a firm, a Hindu undivided family, any artificial juridical person and anybody of persons formed under a foreign law, but does not include a company.

“Firm” means the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.

A tax return is the prescribed document which is used by the taxpayer in order to declare his taxable income and tax liability thereon.

Definition: Sales

Tax “sales tax”

means—

- ☐ the tax, additional tax, or default surcharge levied under this Act;
- ☐ a fine, penalty or fee imposed or charged under this Act; and
- ☐ any other sum payable under the provisions of this Act or the rules made thereunder.

Definition: Taxable Supplies [Section 2(41)]

"Taxable supply" means a supply of taxable goods made by an importer; manufacturer, wholesaler (including dealer), distributor or retailer other than a supply of goods which is exempt and includes a supply of goods chargeable to tax at the rate of zero per cent

Definition: Supply

Supply means “A sale or other transfer of the right to dispose of goods as owner, including such sale or transfer under a hire purchase agreement and also includes”

- ☐ putting to private, business or non-business use of goods produced
- ☐ auction or disposal of goods to satisfy a debt owed by a person;
- ☐ possession of taxable goods held immediately before a person ceases to be a registered person; and

- in case of manufacture of goods belonging to another person, the transfer or delivery of such goods to the owner or to a person nominated by him:

Definition: Taxable Goods

- "Taxable goods" means all goods other than those which have been exempted
- "Goods" include every kind of movable property other than actionable claims, money, stocks, shares and securities;

Definition: Zero Rated Supplies [Section 2(48)]

"Zero-rated supply" means a taxable supply which is charged to tax at the rate of zero per cent

Definition: Importer & Manufacturer [Section 2(17)]

Importer is any person who imports any goods into Pakistan

Manufacturer means a person who engages, whether exclusively or not, in the production or manufacture of goods whether or not the raw material of which the goods are produced or manufactured are owned by him; and shall include:

- a person who by any process or operation assembles, mixes, cuts, dilutes, bottles, packages, repackages or prepares goods by any other manner;
- an assignee or trustee in bankruptcy, liquidator, executor, or curator or any manufacturer or producer and any person who disposes of his assets in any fiduciary capacity; and

any person, firm or company which owns, holds, claims or uses any patent, proprietary or other right to goods being manufactured, whether in his or its name, or on his or its behalf, as the case may be, whether or not such person, firm or company sells, distributes, consigns or otherwise disposes of the goods.

manufacturer-cum-exporter is who owns or has his own manufacturing facility to manufacture or produce the goods exported or to be exported;

Definition: Manufacture or Produce:

- Any process in which an article singly or in combination with other articles, materials, components, is either converted into another distinct article or product or is so changed, transformed or reshaped that it becomes capable of being put to use differently or distinctly and includes any process incidental or ancillary to
- completion of a manufactured product;
- Process of printing, publishing, lithography and engraving; and
- Process and operations of assembling, mixing, cutting, diluting, bottling, packaging, repacking or preparation of goods in any other manner

Definition: Retailer [Section 2(28)]

Means a person supplying goods to general public for the purpose of consumption.

Provided that any person, who combines the business of import and retail or manufacture or production with retail, shall notify and advertise wholesale prices and retail prices separately, and declare the address of retail outlets.

Definition: Retail Price [Section 2(27)]

price fixed by the manufacturer, inclusive of all duties, charges and taxes (other than sales tax) at which any particular brand or variety of any article should be sold to the general body of consumers or, if more than one such price is so fixed for the same brand or variety, the highest of such price;

Provided that the board may through a general order specify zones or areas for the purpose of determination of highest retail price for any brand or variety of goods

Definition: Distributors [Section 2(7)]

A person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply and includes a person who in addition to being a distributor is also engaged in supply of goods as a wholesaler or a retailer.

Definition: Wholesaler [Section 2(47)]

Includes a dealer and means any person who carries on, whether regularly or otherwise, the business of buying and selling goods by wholesale or of supplying or distributing goods, directly or indirectly, by wholesale for cash or deferred payment or for commission or other valuable consideration or stores such goods belonging to others as an agent for the purpose of sale; and includes a person who deducts income tax at source under the ITO.

Definition: Registered Person [Section 2(25)]

Means a person who is registered or is liable to be registered

Provided that a person liable to be registered but not registered under this act shall not be entitled to any benefit available to a registered person under any of the provisions of this act or the rules made thereunder.

Definition: Person [Section 2(21)]

“Person” means,—

- ☐ individual;
- ☐ a company or AOP incorporated, formed, organized or established in Pakistan or elsewhere;
- ☐ the Federal Government;
- ☐ a Provincial Government;
- ☐ a local authority in Pakistan; or
- ☐ a foreign government, a political subdivision of a foreign government, or public international organization

Definition: Taxable Activity [Section 2(35)]

“Taxable activity”, means any economic activity carried on by a person whether or not for profit, and includes—

- a. an activity carried on in the form of a business, trade or manufacture;
- b. an activity that involves the supply of goods, the rendering or providing of services, or both to another person;
- c. a one-off adventure or concern in the nature of a trade; and
- d. anything done or undertaken during the commencement or termination of the economic activity,

but does not include—

- a. the activities of an employee providing services in that capacity to an employer;
- b. an activity carried on by an individual as a private recreational pursuit or hobby; and

Definition: Value of Supply [Section 2(46)]

- (i) In respect of a taxable supply, the consideration in money including all Federal and Provincial duties and taxes, if any, which the supplier receives from the recipient for that supply but excluding the amount of tax:

Provided that:

- (a) In case the consideration for a supply is in kind or is partly in kind and partly in money, the value of the supply shall mean the open market price of the supply excluding the amount of tax;
 - (b) In case the supplier and recipient are associated persons, the value of supply shall mean the open market price of the supply excluding the amount of tax; and
 - (c) In case a taxable supply is made to a consumer from general public on installment basis on a price inclusive of mark up or surcharge rendering it higher than open market price, the value of supply shall mean the open market price of the supply excluding the amount of tax.
- (ii) In case of trade discounts, the discounted price excluding the amount of tax provided the tax invoice shows the discounted price and the related tax and the discount allowed is in conformity with the normal business practices;
 - (iii) In case where for any special nature of transaction it is difficult to ascertain the value of a supply, the open market price;
 - (iv) In case of imported goods, the value, including the amount of customs-duties and central excise duty levied hereon;
 - (v) In case where there is sufficient reason to believe that the value of a supply has not been correctly declared in the invoice, the value determined by the Valuation Committee comprising representatives of trade and the Inland Revenue constituted by the Commissioner ; and
 - (vi) In case the goods other than taxable goods are supplied to a registered person for processing, the value of supply of such processed goods shall mean the price excluding the amount of sales tax which such goods will fetch on sale in the market;
 - (vii) In case of a taxable supply, with reference to retail tax, the price of taxable

goods excluding the amount of retail tax, which a supplier will charge at the time of marking taxable supply by him, or such other price as the Board may, by a notification in the Official Gazette, specify.

Provided that, where the Board deems it necessary it may, by notification in the official Gazette, fix the value of any imported goods or taxable supplies or class of supplies and for that purpose fix different values for different classes or description of same type of imported goods or supplies.

Provided further that where the value at which import or supply is made is higher than the value fixed by the Board, the value of goods shall, unless otherwise directed by the Board, be the value at which the import or supply is made.

“Associates (associated persons)” means, –

- i. Two persons are associate where the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;
- ii. Two persons shall not be associates solely by reason of the fact that one person is an employee of the other or both persons are employees of a third person;
- iii. the following shall be treated as associates, namely: –
 - a. an individual and a relative of the individual;
 - b. members of an AOP;
 - c. a member of an AOP and the association, where the member, either alone or together controls fifty per cent or more of the rights to income or capital of the association;
 - d. trust and any person who benefits or may benefit under the trust;
 - e. a shareholder or two companies in a company and the company, where the shareholder, either alone or together controls either directly or through one or more interposed persons—
 - Fifty per cent or more of the voting power
 - Fifty per cent or more of the rights to dividends; or
 - Fifty per cent or more of the rights to capital; and
- iv. Two persons shall not be associates where the Commissioner is satisfied that neither person may reasonably be expected to act in accordance with the intentions of the other.

Definition: Open Market Price [Section 2(19)]

"Open market price" means the consideration in money which that supply or a similar supply would generally fetch in an open market;

- v. In this clause, “relative” in relation to an individual, means:
 - (a) An ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or
 - (b) A spouse of the individual or of any person specified in sub-clause (a).

Definition: Similar Supply [Section 2(31)]

"**Similar supply**", in relation to the open market price of goods, means any other supply of goods which closely or substantially resembles the characteristics, quantity, components and materials of the aforementioned goods;

Definition: Time of Supply

- (a) the time at which **the goods are delivered or made available to the recipient** of the supply or the time **when any payment is received by** the supplier in respect of that supply, whichever is earlier;
- (b) a supply of goods under a hire purchase agreement, means the time at which the agreement is entered into; and
- (c) services, means the time at which the services are rendered or provided;

where any part payment is received for a supply in a tax period

- (a) it shall be accounted for in the return for that tax period; and
- (b) In respect of exempt supply, it shall be accounted for in the return for the tax period during which the exemption is withdrawn from such supply

Definition: Cottage industry

- (a) whose annual turnover from taxable supplies made in any tax period during the last twelve months ending any tax period does not exceed five million rupees or
- (b) whose annual utility (electricity, gas and telephone) bills during the last twelve months ending any tax period do not exceed eight hundred thousand rupees

Local supplies of goods made by a cottage industry are exempt from sales tax.

Definition: CREST [Section 2(5AC)]

Means the computerized program for analysing and cross-matching of sales tax returns, also referred to as computerized Risk-Bases Evaluation of Sales Tax.

Definition: Due Date [Section 2(9)]

In relation to the furnishing of a return means the 15th day of the month following the end of the tax period, or such other date as the Board may, by notification in the official Gazette, specify.

Definition: Provincial Sales Tax [Section 2(22A)]

Means tax levied under the provincial laws or laws relating to Islamabad Capital Territory, declared by the Federal Government through notification in the official Gazette to be provincial sales tax for the purpose of input tax.

Definition: Tax Period [Section 2(43)]

Means a period of one month or such other period as the Federal Government may, by notification in the official Gazette, specify.

Definition: Output Tax

“output tax”, in relation to a registered person, means-

- (i) tax levied on a supply of goods, made by the person;
- (ii) a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services, by the person;
- (iii) Provincial sales tax levied on services rendered or provided by the person;

Definition: Input Tax

(14) “input tax”, in relation to a registered person, means—

- ☐ tax levied on supply & import of goods to the person;
- ☐ a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services;
- ☐ Provincial sales tax levied on services rendered or provided to the person; and
- ☐ levied under the STA as adapted in the State of Azad Jammu and Kashmir, on the supply of goods received by the person;